

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Charter Township of Oshtemo
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2005

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INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Oshtemo, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo, Michigan, as of December 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo, Michigan, as of December 31, 2005, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison schedules, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Charter Township of Oshtemo, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2006, on our consideration of the Charter Township of Oshtemo, Michigan's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Siegfried Crandall P.C.

March 3, 2006

BASIC FINANCIAL STATEMENTS

Charter Township of Oshtemo
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Primary government</u>			<u>Component unit</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Downtown Development Authority</u>
ASSETS				
Current assets:				
Cash	\$ 7,233,385	\$ 617,512	\$ 7,850,897	\$ 22,545
Receivables (net)	1,721,104	-	1,721,104	6,679
Prepaid expenses	17,651	656	18,307	-
Total current assets	<u>8,972,140</u>	<u>618,168</u>	<u>9,590,308</u>	<u>29,224</u>
Noncurrent assets:				
Receivables (net)	390,691	-	390,691	-
Capital assets (net)	<u>7,409,174</u>	<u>135,526</u>	<u>7,544,700</u>	<u>-</u>
Total noncurrent assets	<u>7,799,865</u>	<u>135,526</u>	<u>7,935,391</u>	<u>-</u>
Total assets	<u>16,772,005</u>	<u>753,694</u>	<u>17,525,699</u>	<u>29,224</u>
LIABILITIES				
Current liabilities:				
Payables	493,169	685	493,854	-
Long-term debt	77,847	-	77,847	-
Deferred revenue	<u>2,430,404</u>	<u>-</u>	<u>2,430,404</u>	<u>16,889</u>
Total current liabilities	<u>3,001,420</u>	<u>685</u>	<u>3,002,105</u>	<u>16,889</u>
Noncurrent liabilities - long-term debt	<u>235,673</u>	<u>-</u>	<u>235,673</u>	<u>-</u>
Total liabilities	<u>3,237,093</u>	<u>685</u>	<u>3,237,778</u>	<u>16,889</u>
NET ASSETS				
Invested in capital assets (net)	7,231,628	135,526	7,367,154	-
Restricted:				
Public safety	1,225,892	-	1,225,892	-
Public works	2,539,067	-	2,539,067	-
Unrestricted	<u>2,538,325</u>	<u>617,483</u>	<u>3,155,808</u>	<u>12,335</u>
Total net assets	<u>\$ 13,534,912</u>	<u>\$ 753,009</u>	<u>\$ 14,287,921</u>	<u>\$ 12,335</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

		<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
			<u>contributions</u>	<u>contributions</u>
Functions/Programs				
Governmental activities:				
Legislative	\$ 29,741	\$ -	\$ -	\$ -
General government	1,140,722	22,772	-	-
Public safety	1,640,955	1,605,203	-	-
Public works	358,838	931,060	11,726	220,854
Community and economic development	250,736	89,052	-	-
Culture and recreation	90,318	9,885	1,500	-
Interest	22,721	-	-	-
Total governmental activities	<u>3,534,031</u>	<u>2,657,972</u>	<u>13,226</u>	<u>220,854</u>
Business-type activity:				
Building inspections	<u>243,655</u>	<u>396,246</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,777,686</u>	<u>\$ 3,054,218</u>	<u>\$ 13,226</u>	<u>\$ 220,854</u>
Component unit:				
Downtown Development Authority	<u>\$ 14,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes
State grants
Franchise fees
Investment income
Special item - gain on sale of capital assets

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expense) revenue and changes in net assets</i>			
<i>Primary government</i>			<i>Component unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (29,741)		\$ (29,741)	
(1,117,950)		(1,117,950)	
(35,752)		(35,752)	
804,802		804,802	
(161,684)		(161,684)	
(78,933)		(78,933)	
(22,721)		(22,721)	
(641,979)		(641,979)	
	\$ 152,591	152,591	
(641,979)	152,591	(489,388)	
			\$ (14,457)
553,473	-	553,473	26,339
1,217,806	-	1,217,806	-
124,719	-	124,719	-
231,098	15,144	246,242	453
178,261	-	178,261	-
2,305,357	15,144	2,320,501	26,792
1,663,378	167,735	1,831,113	12,335
11,871,534	585,274	12,456,808	-
\$ 13,534,912	\$ 753,009	\$ 14,287,921	\$ 12,335

See notes to financial statements

Charter Township of Oshtemo
BALANCE SHEET - governmental funds
December 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Revolving Improvement</u>
ASSETS			
Cash	\$ 2,757,864	\$ 1,463,276	\$ 243,695
Receivables	628,588	486,420	-
Prepaid expenses	<u>11,766</u>	<u>5,885</u>	<u>-</u>
Total assets	<u>\$ 3,398,218</u>	<u>\$ 1,955,581</u>	<u>\$ 243,695</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 36,112	\$ 19,736	\$ 243,695
Deferred revenue	<u>745,817</u>	<u>1,135,422</u>	<u>-</u>
Total liabilities	<u>781,929</u>	<u>1,155,158</u>	<u>243,695</u>
Fund balances:			
Unreserved	2,616,289	800,423	-
Unreserved, reported in non major:			
Special revenue funds	-	-	-
Debt service funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,616,289</u>	<u>800,423</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,398,218</u>	<u>\$ 1,955,581</u>	<u>\$ 243,695</u>

Total fund balances - governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Long-term liabilities, including notes payable and accrued time-off, are not due and payable in the current period and, therefore, are not reported in the funds.

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Net assets of *governmental activities*

<u>General Sewer</u>	<u>General Water</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 1,915,475	\$ 325,438	\$ 527,637	\$ 7,233,385
63,470	394,335	538,982	2,111,795
-	-	-	17,651
<u>\$ 1,978,945</u>	<u>\$ 719,773</u>	<u>\$ 1,066,619</u>	<u>\$ 9,362,831</u>
\$ 83,103	\$ 76,548	\$ 33,975	\$ 493,169
58,862	340,926	559,644	2,840,671
<u>141,965</u>	<u>417,474</u>	<u>593,619</u>	<u>3,333,840</u>
1,836,980	302,299	-	5,555,991
-	-	455,664	-
-	-	17,336	455,664
<u>1,836,980</u>	<u>302,299</u>	<u>473,000</u>	<u>6,028,991</u>
<u>\$ 1,978,945</u>	<u>\$ 719,773</u>	<u>\$ 1,066,619</u>	<u>\$ 9,362,831</u>
			\$ 6,028,991
			7,409,174
			(313,520)
			<u>410,267</u>
			<u>\$ 13,534,912</u>

See notes to financial statements

Charter Township of Oshtemo**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****governmental funds**

Year ended December 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Revolving Improvement</u>	<u>General Sewer</u>
REVENUES				
Taxes	\$ 553,473	\$ -	\$ -	\$ -
Licenses and permits	213,800	-	-	-
Federal grant	183,889	-	-	-
State grants	1,266,497	-	-	-
Charges for services	21,935	-	-	525,728
Fines and forfeitures	-	-	-	-
Interest	82,858	27,927	21,359	60,452
Other	136,364	1,061,257	-	33,589
Total revenues	<u>2,458,816</u>	<u>1,089,184</u>	<u>21,359</u>	<u>619,769</u>
EXPENDITURES				
Legislative	29,741	-	-	-
General government	1,068,863	-	-	-
Public safety	-	989,190	-	-
Public works	225,653	-	-	625,590
Community and economic development	250,736	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	19,052	-	-	187,817
Interest	4,298	-	-	7,752
Capital outlay	423,649	15,584	1,285,943	-
Total expenditures	<u>2,021,992</u>	<u>1,004,774</u>	<u>1,285,943</u>	<u>821,159</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>436,824</u>	<u>84,410</u>	<u>(1,264,584)</u>	<u>(201,390)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	267,387	-
Transfers out	(610,315)	-	-	-
Total other sources (uses)	<u>(610,315)</u>	<u>-</u>	<u>267,387</u>	<u>-</u>
SPECIAL ITEM				
Proceeds from sale of land	<u>178,261</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	<u>4,770</u>	<u>84,410</u>	<u>(997,197)</u>	<u>(201,390)</u>
FUND BALANCES - BEGINNING	<u>2,611,519</u>	<u>716,013</u>	<u>997,197</u>	<u>2,038,370</u>
FUND BALANCES - ENDING	<u>\$ 2,616,289</u>	<u>\$ 800,423</u>	<u>\$ -</u>	<u>\$ 1,836,980</u>

<u>General Water</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ 553,473
-	-	213,800
-	-	183,889
-	-	1,266,497
169,212	11,167	728,042
-	35,718	35,718
23,759	24,628	240,983
<u>58,252</u>	<u>501,361</u>	<u>1,790,823</u>
<u>251,223</u>	<u>572,874</u>	<u>5,013,225</u>
-	-	29,741
-	-	1,068,863
-	428,163	1,417,353
447,720	2,800	1,301,763
-	-	250,736
-	31,057	31,057
-	38,994	245,863
-	10,671	22,721
-	<u>221,594</u>	<u>1,946,770</u>
<u>447,720</u>	<u>733,279</u>	<u>6,314,867</u>
<u>(196,497)</u>	<u>(160,405)</u>	<u>(1,301,642)</u>
-	342,928	610,315
-	-	<u>(610,315)</u>
-	<u>342,928</u>	<u>-</u>
-	-	<u>178,261</u>
(196,497)	182,523	(1,123,381)
<u>498,796</u>	<u>290,477</u>	<u>7,152,372</u>
<u>\$ 302,299</u>	<u>\$ 473,000</u>	<u>\$ 6,028,991</u>

See notes to financial statements

Charter Township of Oshtemo

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended December 31, 2005

Net change in fund balances - total governmental funds \$ (1,123,381)

Amounts reported for *governmental activities* in the statement of activities
(page 5) are different because:

Capital assets:

Assets acquired	2,880,074
Provision for depreciation	(271,481)

Long-term debt:

Principal repayments	245,863
Net increase in accrued liabilities	(73,620)

Changes in other assets/liabilities:

Net increase in deferred revenue	<u>5,923</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 1,663,378</u>
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See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF NET ASSETS - proprietary fund
December 31, 2005

	<u>Building Inspections</u>
ASSETS	
Current assets:	
Cash	\$ 617,512
Prepaid expenses	<u>656</u>
Total current assets	618,168
Noncurrent assets - capital assets, net of accumulated depreciation	<u>135,526</u>
Total assets	<u>753,694</u>
LIABILITIES	
Payables	<u>685</u>
NET ASSETS	
Invested in capital assets	135,526
Unrestricted	<u>617,483</u>
Total net assets	<u>\$ 753,009</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - proprietary fund
Year ended December 31, 2005

	<u><i>Building Inspections</i></u>
OPERATING REVENUES	\$ 396,246
OPERATING EXPENSES	<u>243,655</u>
OPERATING INCOME	152,591
NONOPERATING INCOME	
Interest	<u>15,144</u>
CHANGE IN NET ASSETS	167,735
NET ASSETS - BEGINNING	<u>585,274</u>
NET ASSETS - ENDING	<u>\$ 753,009</u>

See notes to financial statements

Charter Township of Oshtemo
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2005

	<u>Building Inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 396,246
Payments for salaries and fringe benefits	(149,704)
Payments for goods and services	<u>(87,221)</u>
Net cash provided by operating activities	159,321
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(4,577)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>15,144</u>
NET INCREASE IN CASH	169,888
CASH - BEGINNING	<u>447,624</u>
CASH - ENDING	<u><u>\$ 617,512</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 152,591
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,987
Decrease in prepaid expenses	848
Decrease in accounts payable	<u>(105)</u>
Net cash provided by operating activities	<u><u>\$ 159,321</u></u>

See notes to financial statements

Charter Township of Oshtemo

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

December 31, 2005

ASSETS

Cash	<u>\$ 1,937,973</u>
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LIABILITIES

Payables	<u>\$ 1,937,973</u>
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See notes to financial statements

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Oshtemo, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

Downtown Development Authority:

The component unit's governing body is appointed by the Township Board. Separate financial statements for the component unit have not been issued as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Operating Fund accounts for the financial resources used for the operational costs of the Township fire protection. Revenues are primarily derived from special assessments.

The Revolving Improvement Fund accounts for the financial resources contributed by other funds to be used for the purchase and construction of capital assets.

The General Sewer Fund accounts for the financial resources used for the expansion and repairs and maintenance of waste water transmission lines in the Township. Revenues are primarily derived from connection and availability fees.

The General Water Fund accounts for the financial resources used for the expansion and repairs and maintenance of water transmission lines in the Township. Revenues are primarily derived from connection and availability fees.

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports one fiduciary fund, the Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) Capital assets (continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15 - 30 years
Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Infrastructure	10 - 50 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
Revolving improvement	Capital outlay	<u>\$ 1,100,000</u>	<u>\$ 1,285,943</u>	<u>\$ 185,943</u>

NOTE 3 - CASH:

Cash as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Component Unit</u>	<u>Totals</u>
Cash	<u>\$ 7,233,385</u>	<u>\$ 617,512</u>	<u>\$ 1,937,973</u>	<u>\$ 22,545</u>	<u>\$ 9,811,415</u>

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH (Continued):

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2005, \$11,445,401 of the Township's bank balances of \$11,863,674 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter- governmental</i>	<i>Totals</i>
<i>Primary government:</i>				
General	\$ 424,979	\$ -	\$ 203,609	\$ 628,588
Fire Operating	-	486,420	-	486,420
General Sewer	-	58,862	4,608	63,470
General Water	-	345,583	48,752	394,335
Other governmental	-	538,982	-	538,982
 Totals	 \$ 424,979	 \$ 1,429,847	 \$ 256,969	 \$ 2,111,795
 Noncurrent portion	 \$ -	 \$ 390,691	 \$ -	 \$ 390,691
<i>Component unit:</i>				
Downtown Development Authority	\$ 6,679	\$ -	\$ -	\$ 6,679

All receivables are considered fully collectible.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - DEFERRED REVENUE:

Governmental funds report deferred revenues in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<i>Fund</i>	<i>Unearned</i>	<i>Unavailable</i>	<i>Totals</i>
<i>Primary government:</i>			
General	\$ 745,817	\$ -	\$ 745,817
Fire Operating	1,135,422	-	1,135,422
General Sewer	-	58,862	58,862
General Water	-	340,926	340,926
Other governmental	549,165	10,479	559,644
Totals	\$ 2,430,404	\$ 410,267	\$ 2,840,671
<i>Component unit:</i>			
Downtown Development Authority	\$ 16,889	\$ -	\$ 16,889

NOTE 6 - PROPERTY TAXES:

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2005 taxable valuation of the Township totaled \$603,869,530, on which ad valorem taxes levied consisted of the following:

<i>Fund</i>	<i>Millage rate</i>	<i>Purpose</i>	<i>Taxes raised</i>
General	0.9798	Operating	\$591,671

This amount is recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 167,380	\$ -	\$ -	\$ 167,380
Capital assets being depreciated:				
Buildings and improvements	3,046,449	1,408,818	-	4,455,267
Equipment	864,136	24,623	-	888,759
Vehicles	1,929,541	22,400	-	1,951,941
Infrastructure	1,119,520	1,424,233	-	2,543,753
Subtotal	6,959,646	2,880,074	-	9,839,720
Less accumulated depreciation for:				
Buildings and improvements	796,627	88,104	-	884,731
Equipment	413,168	81,393	-	494,561
Vehicles	1,094,260	72,571	-	1,166,831
Infrastructure	22,390	29,413	-	51,803
Subtotal	2,326,445	271,481	-	2,597,926
Total capital assets being depreciated (net)	4,633,201	2,608,593	-	7,241,794
Governmental activities capital assets, net	\$ 4,800,581	\$ 2,608,593	\$ -	\$ 7,409,174
Business type activities:				
Capital assets being depreciated:				
Buildings	\$ 135,052	\$ -	\$ -	\$ 135,052
Equipment	11,909	4,577	-	16,486
Subtotal	146,961	4,577	-	151,538
Less accumulated depreciation for:				
Buildings	1,688	3,376	-	5,064
Equipment	8,337	2,611	-	10,948
Subtotal	10,025	5,987	-	16,012
Business type activities capital assets, net	\$ 136,936	\$ (1,410)	\$ -	\$ 135,526

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

	<i>Governmental activities</i>	<i>Business-type activities</i>
General government	\$ 61,311	\$ -
Public safety	164,482	5,987
Public works	29,931	-
Recreation and cultural	<u>15,757</u>	<u>-</u>
Total	<u>\$ 271,481</u>	<u>\$ 5,987</u>

NOTE 8 - LONG-TERM DEBT:

Long-term debt at December 31, 2005, is comprised of the following:

Accrued employee benefits	\$ 28,000
MDEQ lien payable	65,620
Notes payable: \$384,834 note payable, (PA99 of 1933), due in semi-annual installments of \$15,217 to \$24,832 through September 2009, plus interest at 5.14%	177,546
Contract payable: The contract payable represents an allocation of the costs incurred for the clean-up of a closed landfill site situated in the Township, and operated by the Township from 1960 to 1968. The Township's portion is based upon an agreement with other governmental units, which allocates the municipalities' share of total estimated costs of the remedial clean up, and is payable to the County of Kalamazoo at \$23,350 annually through the year 2007, including interest at the rate of 7%. The agreement is related to a proposed amendment to a consent decree filed with the United States District Court, which requires the units, in conjunction with a local corporation, to undertake certain corrective actions at the landfill site (see note 4):	<u>42,354</u>
Total long-term debt	<u>\$ 313,520</u>

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued):

Long-term obligation activity for the year ended December 31, 2005, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	\$ 20,000	\$ 56,701	\$ 48,701	\$ 28,000	\$ -
Lien payable	-	82,025	16,405	65,620	16,405
Notes payable	404,357	-	226,811	177,546	41,057
Contract payable	61,406	-	19,052	42,354	20,385
Total long-term obligations	<u>\$ 485,763</u>	<u>\$ 138,726</u>	<u>\$ 310,969</u>	<u>\$ 313,520</u>	<u>\$ 77,847</u>

At December 31, 2005, debt service requirements, excluding compensated absences and lien payable, are follows:

<u>Year ended December 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 61,442	\$ 11,568
2007	65,164	8,004
2008	45,444	4,217
2009	47,850	2,228
Totals	<u>\$ 219,900</u>	<u>\$ 26,017</u>

NOTE 9 - PAYABLES:

<u>Fund</u>	<u>Accounts</u>	<u>Accrued liabilities</u>	<u>Totals</u>
General	\$ 36,112	\$ -	\$ 36,112
Fire Operating	10,366	9,370	19,736
Revolving Improvement	243,695	-	243,695
General Sewer	83,103	-	83,103
General Water	76,548	-	76,548
Other governmental	33,975	-	33,975
Total governmental activities	<u>\$ 483,799</u>	<u>\$ 9,370</u>	<u>\$ 493,169</u>
Business-type activities	<u>\$ 685</u>	<u>\$ -</u>	<u>\$ 685</u>

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Revolving Improvement	\$ 267,387	General	<u>\$ 610,315</u>
Other governmental	<u>342,928</u>		
	<u>\$ 610,315</u>		

The transfers to the other governmental funds represent an operating transfer to cover additional costs associated with capital improvements, police protection, and park improvements in those funds.

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability up to \$7,000,000, property and casualty, and workers' compensation are managed through purchased commercial insurance.

NOTE 12 - DEFINED CONTRIBUTION AND MONEY PURCHASE PLAN:

The Township maintains a defined contribution plan (Township of Oshtemo Group Pension Plan) through which it provides pension benefits to its employees. The plan covers all full-time employees, Township trustees, and part-time firefighters. The plan is administered by an insurance company.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Eligible employees may begin participating on the date the plan started, or on the first day of the month coincident with, or immediately following, their date of employment, if later.

The Township contributes 12½% of the annual compensation amounts of the eligible full-time employees, trustees, and firefighters, and 10% of the annual compensation for enforcement officers. All of the Township's contributions for participating full-time employees and trustees (and interest allocated to the participants' accounts) are fully vested after 20 months of continuous service. The Township's contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Township's current period contribution requirement. The Township's contributions for firefighters vest immediately.

The Township made the required contributions in the amount of \$136,717 for 2005. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

Charter Township of Oshtemo
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 - POST-EMPLOYMENT BENEFITS:

The Township has elected to provide post-employment health benefits to retirees of the Township. The Township pays the full cost of coverage of these benefits for retirees and their dependents. Currently two retirees are eligible for post-employment health benefits. For the fiscal year ending December 31, 2005, the Township made payments for post-employment health benefit premiums of \$18,788. The Township obtains health care coverage through private insurers.

NOTE 14 - CONTINGENCIES:

The Township is a party to a Consent Decree entered November 17, 1992, settling the claim of U.S. Environmental Protection Agency under CERCLA against the Township and other potentially responsible parties concerning remedial action at the KL Avenue Landfill located in the Township. The Township has potential liability under the Consent Decree for in-kind services and cash payments, the amount for which it is not practicable to estimate at this time.

NOTE 15 - COMMITMENTS:

At December 31, 2005, the Township had the following contractual construction commitments:

	<u>Project authorization</u>	<u>Expended through December 31, 2005</u>	<u>Committed</u>
Sanitary sewer expansions	\$ 1,048,960	\$ 1,012,263	\$ 36,697
Township Hall expansion	1,684,058	1,259,124	424,934

The sewer project is to be funded by the General Sewer Fund monies and the hall expansion is to be funded by General and Revolving Improvement Funds monies.

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 566,000	\$ 566,000	\$ 553,473	\$ (12,527)
Licenses and permits	109,000	109,000	213,800	104,800
Federal grant	-	-	183,889	183,889
State grants	1,262,000	1,262,000	1,266,497	4,497
Charges for services	18,000	18,000	21,935	3,935
Interest	35,000	35,000	82,858	47,858
Other	131,000	131,000	136,364	5,364
Total revenues	<u>2,121,000</u>	<u>2,121,000</u>	<u>2,458,816</u>	<u>337,816</u>
EXPENDITURES				
Legislative	<u>25,070</u>	<u>27,720</u>	<u>29,741</u>	<u>(2,021)</u>
General government:				
Supervisor	102,903	102,903	102,936	(33)
Election	8,000	8,000	1,977	6,023
Assessor	155,826	155,826	137,688	18,138
Clerk	111,923	111,923	108,064	3,859
Treasurer	85,622	85,622	86,127	(505)
Professional services	235,000	235,000	192,697	42,303
Cemetery, buildings and grounds	84,500	84,500	60,685	23,815
General operations	<u>487,267</u>	<u>487,267</u>	<u>378,689</u>	<u>108,578</u>
Total general government	<u>1,271,041</u>	<u>1,271,041</u>	<u>1,068,863</u>	<u>202,178</u>
Public works:				
Highways and streets	120,000	120,000	97,917	22,083
Street lights	130,000	130,000	85,649	44,351
Mass transit	18,000	18,000	17,142	858
Waste collection	<u>32,000</u>	<u>32,000</u>	<u>24,945</u>	<u>7,055</u>
Total public works	<u>300,000</u>	<u>300,000</u>	<u>225,653</u>	<u>74,347</u>
Community and economic development - planning and zoning	<u>255,226</u>	<u>255,226</u>	<u>250,736</u>	<u>4,490</u>

Charter Township of Oshtemo**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Debt service:				
Principal	\$ 19,052	\$ 19,052	\$ 19,052	\$ -
Interest	4,298	4,298	4,298	-
Capital outlay	333,000	560,000	423,649	136,351
Total expenditures	<u>2,207,687</u>	<u>2,437,337</u>	<u>2,021,992</u>	<u>415,345</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(86,687)</u>	<u>(316,337)</u>	<u>436,824</u>	<u>753,161</u>
OTHER FINANCING USES				
Operating transfer out:				
Revolving Improvement Fund	(100,000)	(267,387)	(267,387)	-
Police Fund	(136,012)	(157,917)	(157,917)	-
Parks Fund	<u>(159,361)</u>	<u>(185,011)</u>	<u>(185,011)</u>	<u>-</u>
Total other financing uses	<u>(395,373)</u>	<u>(610,315)</u>	<u>(610,315)</u>	<u>-</u>
SPECIAL ITEM				
Proceeds from sale of land	-	-	178,261	178,261
NET CHANGE IN FUND BALANCES	(482,060)	(926,652)	4,770	931,422
FUND BALANCES - BEGINNING	<u>2,611,519</u>	<u>2,611,519</u>	<u>2,611,519</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,129,459</u>	<u>\$ 1,684,867</u>	<u>\$ 2,616,289</u>	<u>\$ 931,422</u>

Charter Township of Oshtemo**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Fire Operating Fund**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 6,000	\$ 6,000	\$ 27,927	\$ 21,927
Other:				
Special assessments	1,059,238	1,059,238	1,049,224	(10,014)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>12,033</u>	<u>(2,967)</u>
Total revenues	<u>1,080,238</u>	<u>1,080,238</u>	<u>1,089,184</u>	<u>8,946</u>
 EXPENDITURES				
Public safety	1,071,138	1,071,138	989,190	81,948
Capital outlay	<u>11,100</u>	<u>11,100</u>	<u>15,584</u>	<u>(4,484)</u>
Total expenditures	<u>1,082,238</u>	<u>1,082,238</u>	<u>1,004,774</u>	<u>77,464</u>
 NET CHANGE IN FUND BALANCES	(2,000)	(2,000)	84,410	86,410
 FUND BALANCES - BEGINNING	<u>716,013</u>	<u>716,013</u>	<u>716,013</u>	<u>-</u>
 FUND BALANCES - ENDING	<u>\$ 714,013</u>	<u>\$ 714,013</u>	<u>\$ 800,423</u>	<u>\$ 86,410</u>

Charter Township of Oshtemo**BUDGETARY COMPARISON SCHEDULE - Revolving Improvement**

Year ended December 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 2,000	\$ 2,000	\$ 21,359	\$ 19,359
EXPENDITURES				
Capital outlay	1,100,000	1,100,000	1,285,943	(185,943)
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$(1,098,000)</u>	<u>\$(1,098,000)</u>	<u>\$(1,264,584)</u>	<u>\$ (166,584)</u>
OTHER FINANCING SOURCES				
Operating transfer in - General Fund	100,000	267,387	267,387	-
NET CHANGE IN FUND BALANCES	(998,000)	(830,613)	(997,197)	(166,584)
FUND BALANCES - BEGINNING	<u>997,197</u>	<u>997,197</u>	<u>997,197</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ (803)</u>	<u>\$ 166,584</u>	<u>\$ -</u>	<u>\$ (166,584)</u>

SUPPLEMENTARY INFORMATION

Charter Township of Oshtemo
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2005

	<u>Special revenue funds</u>			<u>Debt service fund</u>	
	<u>Parks</u>	<u>Police</u>	<u>Fire Equipment</u>	<u>90-5 Water & 90-6 Sewer</u>	<u>Totals</u>
ASSETS					
Cash	\$ 43,476	\$ 168,843	\$ 300,349	\$ 14,969	\$ 527,637
Receivables	-	241,880	283,856	13,246	538,982
Total assets	<u>\$ 43,476</u>	<u>\$ 410,723</u>	<u>\$ 584,205</u>	<u>\$ 28,215</u>	<u>\$ 1,066,619</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,281	\$ 300	\$ 19,994	\$ 400	\$ 33,975
Deferred revenue	-	265,309	283,856	10,479	559,644
Total liabilities	13,281	265,609	303,850	10,879	593,619
Fund balances - unreserved, undesignated	<u>30,195</u>	<u>145,114</u>	<u>280,355</u>	<u>17,336</u>	<u>473,000</u>
Total liabilities and fund balances	<u>\$ 43,476</u>	<u>\$ 410,723</u>	<u>\$ 584,205</u>	<u>\$ 28,215</u>	<u>\$ 1,066,619</u>

Charter Township of Oshtemo

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2005

	<u>Special revenue funds</u>			<u>Debt service fund</u>	
	<u>Parks</u>	<u>Police</u>	<u>Fire Equipment</u>	<u>90-5 Water & 90-6 Sewer</u>	<u>Totals</u>
REVENUES					
Charges for service	\$ -	\$ 11,167	\$ -	\$ -	\$ 11,167
Fines and forfeitures	-	35,718	-	-	35,718
Interest and rentals	9,885	3,877	8,785	2,081	24,628
Other:					
Special assessments	-	234,788	262,306	2,767	499,861
Miscellaneous	1,500	-	-	-	1,500
Total revenues	<u>11,385</u>	<u>285,550</u>	<u>271,091</u>	<u>4,848</u>	<u>572,874</u>
EXPENDITURES					
Public safety	-	428,163	-	-	428,163
Public works	-	-	-	2,800	2,800
Recreation and culture	31,057	-	-	-	31,057
Debt service:					
Principal	-	-	38,994	-	38,994
Interest	-	-	10,671	-	10,671
Capital outlay	156,788	-	64,806	-	221,594
Total expenditures	<u>187,845</u>	<u>428,163</u>	<u>114,471</u>	<u>2,800</u>	<u>733,279</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(176,460)	(142,613)	156,620	2,048	(160,405)
OTHER FINANCING SOURCES					
Operating transfer in - General Fund	<u>185,011</u>	<u>157,917</u>	<u>-</u>	<u>-</u>	<u>342,928</u>
NET CHANGES IN FUND BALANCES	8,551	15,304	156,620	2,048	182,523
FUND BALANCES - BEGINNING	<u>21,644</u>	<u>129,810</u>	<u>123,735</u>	<u>15,288</u>	<u>290,477</u>
FUND BALANCES - ENDING	<u>\$ 30,195</u>	<u>\$ 145,114</u>	<u>\$ 280,355</u>	<u>\$ 17,336</u>	<u>\$ 473,000</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Township Board
Charter Township of Oshtemo, Michigan**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Oshtemo, Michigan, as of and for the year ended December 31, 2005, and have issued our report thereon dated March 3, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the sole component unit, Oshtemo Community Center, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Township of Oshtemo's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Township of Oshtemo, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Township Board, management, the U.S. Department of Housing and Urban Development, and the Michigan Economic Development Corporation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sigfried Crandall A.C.

March 3, 2006